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C O N F I D E N T I A L STATE 175222

FOLLOWING REPEATS JAKARTA 9167 ACTION SECSTATE INFO PARIS

GENEVA MEDAN SURABAYA 13 JUL 76

QUOTE C O N F I D E N T I A L JAKARTA 9167

E.O. 11652: GDS

TAGS: EFIN, ID

SUBJECT: GOI MINING MINISTER'S VIEWS ON NORTH-SOUTH DIALOGUE

REF : JAKARTA 8847

1. SUMMARY: STRONG INDONESIAN COMMITMENT TO TAKE LEADERSHIP IN SUPPORT OF UNCTAD COMMON FUND UNDERLINED BY GOI MINISTER OF MINES SADLI. US RESPONSES, AND PARTICULARLY IRB, SEEN AS PERPETUATING OLD ORDER AND COMPETING FOR SAME SOURCES OF FUNDS. ELECTION YEAR IN US MAKES INDONESIANS RELUCTANT MAKE CONCESSIONS OUR DIRECTION SINCE THEY FEEL POST-ELECTION PERIOD MIGHT BRING CHANGES IN US ATTITUDE. END SUMMARY.

2. GOI MINISTER OF MINES SADLI, PERSONAL AND PROFESSIONAL CONFIDANTE OF GOI MINISTER FOR BAPPENAS (STATE PLANNING ORGANIZATION) WIDJOJO, MET WITH AMBASSADOR AND EMOFFS MONDAY, JULY 12. TWO AND HALF HOUR LUNCHEON MEETINGS COVERED WIDE RANGE OF TOPICS WHICH BEING REPORTED SEPTELS. SADLI REITERATED VIEW THAT LDC'S AND SPECIFICALLY GOI ARE CONCERNED ABOUT POSSIBLE DIVERSION OF
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FINANCIAL RESOURCES TO PROPOSED IRB FROM OTHER INSTI-

TUTIONS (REDTEL).

3. SPECIFICALLY, SADLI SAID THAT FINANCIAL RESOURCES FOR LDC'S COULD ONLY COME FROM INDUSTRIALIZED COUNTRIES AND MIDDLE EAST OIL EXPORTERS. HE NOTED THAT MIDDLE EAST MEMBERS OF OPEC HAD COMMITTED THEMSELVES TO PROVIDE \$800 MILLION DOLLARS FOR DEVELOPMENT THIS YEAR AND THAT \$400 MILLION OF THIS ALREADY COMMITTED TO IFAD. THUS CONCERN WAS THAT IF THE IRB WITH ITS \$1 BILLION GUARANTEE FUND WAS ESTABLISHED, IT WOULD COMPETE FOR ALL OF REMAINING \$400 MILLION FROM MIDDLE EAST OPEC COUNTRIES AND THAT IF IT WENT TO GUARANTEE FUND, IT COULD NOT BE ACTUALLY DRAWN UPON AS IT WOULD BE IF IT WERE TO GO DIRECTLY TO LDC'S OR INTERNATIONAL FINANCIAL INSTITUTIONS.

4. IN DISCUSSING OTHER ASPECTS OF US ROLE IN NORTH-SOUTH DIALOGUE--US PROPOSALS AT 7TH SPECIAL GENERAL ASSEMBLY AND SUBSEQUENT FORA--SADLI OBSERVED THAT INDONESIA AND OTHER LDC'S QUESTIONED CONSTANCY OF US POLICY AND PROGRAM INITIATIVES IN LIGHT OF POSSIBLE CHANGES BY ANY NEW US ADMINISTRATION FOLLOWING NOVEMBER ELECTIONS. THEREFORE, LDC'S WERE PREPARED TO MAINTAIN THEIR POSITION OF NEED FOR US PUBLIC RECOGNITION FOR NEW INTERNATIONAL ECONOMIC ORDER AND PROPOSALS STEMMING THEREFROM SUCH AS COMMON FUND, DEBT RELIEF, ETC. SADLI SAID INDONESIA ADOPTED CURRENT POSITION ON ECONOMIC ISSUES BOTH FOR POLITICAL AND "BARGAINING" REASONS, FEELING THIS POSTURE BEST WAY TO EXTRACT CONCESSIONS FROM DEVELOPED COUNTRIES. FURTHERMORE US PROPOSALS WERE NOT REPEATED NOT VIEWED BY LDC'S AS TACIT ACCEPTANCE OF NEED TO MOVE TOWARD REDRESS OF CLAIMED INEQUITIES IN GLOBAL ECONOMIC SYSTEM BUT RATHER AN ATTEMPT TO DIVERT OR BLUNT LDC CALL FOR A NEW SYSTEM RATHER THAN A MODIFIED OLD SYSTEM.

5. SADLI REAFFIRMED THAT INDONESIA WOULD CONTINUE PURSUE AN ASEAN AND GROUP OF 77 ORIENTED POLICY (REF-TEL). HE NOTED THAT UNTIL TWO YEARS AGO GOI INTERNATIONAL ECONOMIC POLICY LINCHPIN WAS MAINTENANCE OF

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DEVELOPMENTAL RESOURCES FLOW AND GENERAL OPPOSITION TO DYNAMIC SUPPORT OF REGIONALISM AND GROUP 77 IDENTIFICATION FOR FEAR THAT SUCH POLICY WOULD DIVERT DEVELOPMENTAL RESOURCES FROM INDONESIA. HE SAID THAT IT WAS TWO YEARS AGO, HOWEVER, THAT BAPPENAS CHAIRMAN WIDJOJO (WHO IS CLEARLY "ECONOMIC POLICY CZAR" FOR INDONESIA AND REFERRED TO SEVERAL TIMES BY SADLI AS "THE BOSS") WAS FINALLY CONVINCED THAT THERE WOULD

BE NO DIVERSION THESE RESOURCES IF GOI WERE TO EMBARK
UPON ASEAN-GROUP OF 77 ORIENTED POLICY. FROM THIS
RECOGNITION BY WIDJOJO HAS STEMMED, ACCORDING TO SADLI,
GOI-UNCTAD LEADERSHIP, IN PARTICULAR, ON COMMON FUND.
HE NOTED THAT INDONESIA FIRST PERSUADED TO SUPPORT
COMMON FUND BY UNCTAD SEC GEN COREA WHO DURING VISIT
IN SPRING THIS YEAR ARGUED THAT BECAUSE OF ARRANGE-
MENTS IN OTHER CONTINENTS, ASIA HAD GREATEST INTEREST
IN COMMON FUND CONCEPT AND INDONESIA NATURAL LEADER.
IN LATIN AMERICA ECONOMIES ARE AT HIGHER STAGE OF
INDUSTRIALIZATION. IN AFRICA LOME AGREEMENT HAS
ASSISTED ON COMMODITY PRICES (STABEX). COUNTRIES OF
SOUTH ASIA ARE ALSO AT DIFFERENT STAGE IN INDUSTRIAL
DEVELOPMENT.

6. COMMENT: SADLI'S COMMENTS CONFIRM OUR GROWING
FEELING THAT INDONESIA IS COMMITTED TO ASSUME LEADER-
SHIP ROLE IN UNCTAD CUASES, PARTICULARLY COMMON FUND
AND THAT TUEIR REACTION CERTAIN OF OUR NORTH-SOUTH
PROPOSALS DETERMINED MORE BY THIS THAN MERITS. WE
NEED TO CONTINUE STRONG EFFORTS CONVINCE THEM THAT
ELECTION NOT LIKELY BRING MAJOR CHANGES OUR ECONOMIC
PROPOSALS WHICH REPRESENTED RESULTS EXTENSIVE BI-
PARTISAN CONSULTATION AND THAT PROPOSALS, IF EXAMINED
ON MERIT SHOULD BE OF DIRECT INTEREST TO INDONESIA.
AMBASSADOR INTENDS PURSUE THIS THEME IN SPEECH JULY 28
BEFORE INDONESIAN PUBLIC RELATIONS
ASSOCIATION AS WELL
AS IN INDIVIDUAL CONVERSATIONS WITH INDONESIAN
CONTACTS.
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